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Trust and the Value of Privacy

Presentation by Dr. Larry Ponemon

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Ponemon Institute: Our Mission

- We are dedicated to advancing responsible information and privacy management practices in business and government.
- The Institute conducts independent research, educates leaders from the private and public sectors, and verifies the privacy and data management practices of business and governmental organizations.

Ponemon's Points:

- The privacy management process
- What companies are doing today to make privacy a “value driver”
- Early evidence that good privacy practices impact customer trust
- Questions and answers

What is the Privacy Management Process?

“Management process comprised of compliance programs and systems designed to motivate, measure, and monitor the organization’s privacy and data protection practices.”

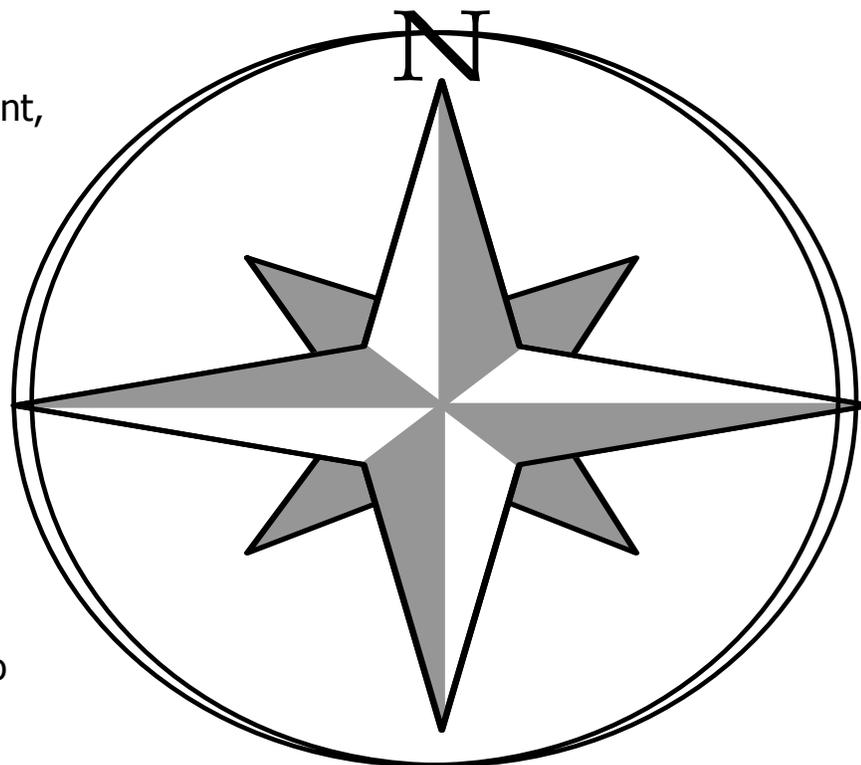
Privacy Management Process

Process Management

Performance-based measurement, scorecards, external verification and enabling technologies

Education & Awareness

Classroom training, facilitated training, and e-learning programs for all employees who handle sensitive personal information



Monitoring

A formal process for identifying privacy and data protection risk and vulnerability areas within core business units, databases and software applications

Communications

Policies, corporate communications, employee handbooks, compliance procedures and crisis management interventions

Redress & Enforcement

The formal mechanism and due process for responding to consumer or employee issues and concerns

Assertions About the Privacy Management Process

- PMP helps to identify and reduce the most salient cases of privacy compliance and data protection risks.
- PMP helps to make policies real and meaningful to employees and other key stakeholders.
- PMP serves as a tool to foster feedback and learning for employees and managers.
- PMP aligns the perceptions and beliefs of customers and target customers, thereby increasing confidence in the privacy commitments of the company.

What Companies Are Doing Today

Benchmark Study

- Research conducted by the Ponemon Institute, presented at FTC Workshop on June 4, 2003.
- Fifty-five (55) companies are large organizations (mostly headquartered in North America with global operations).
- Conducted over several month period in conjunction with International Association of Privacy Professionals (IAPP) and sponsored by UNISYS Corporation.
- Results are self-assessed with secondary observations by the researcher
- Area of focus was corporate privacy policy and key areas of privacy risk management.
- Several benchmark items focused on corporate trends in measuring the value of privacy, including the incorporation of privacy into customer outreach, branding and marketing activities.

Key Benchmark Results

Unpublished study of 55 large corporations (mostly Fortune 500 companies) containing information on their corporate privacy and data protection programs used to determine the existence, coverage and effectiveness of privacy program efforts on a global basis.

Items About Privacy as Value Driver	Percent
Privacy linked to ROI framework	15%
Capture consumer privacy preferences	53%
Evaluate if choice is being honored	34%
Align policy with stakeholder expectations	58%
Process for communicating policy	83%
Outreach program to new customers	40%
Sufficient resources to execute program	48%
Important to company brand or market image	36%

Setting the Tone

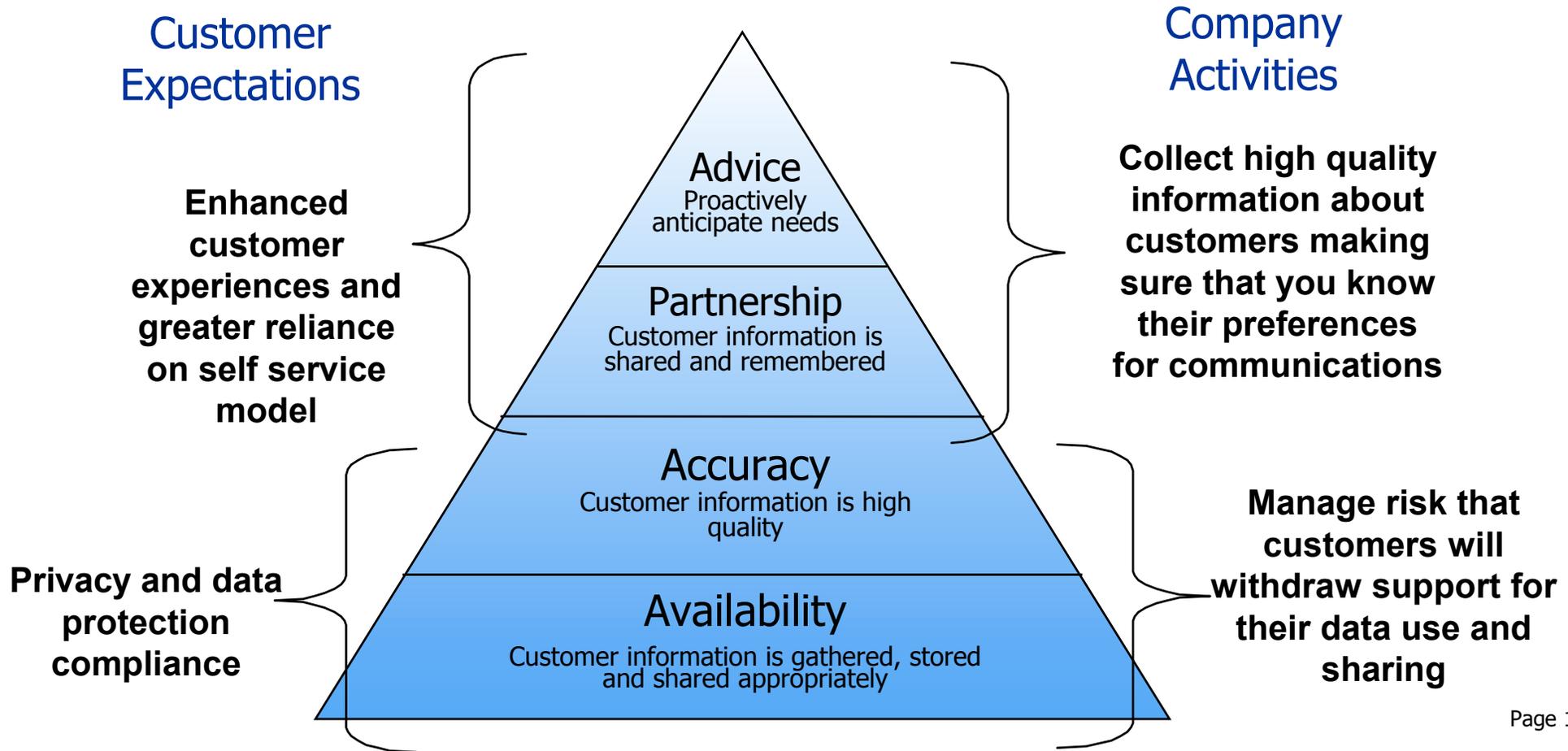
- **Q:** Is privacy an important part of the company's brand or marketplace image (36% = yes vs. 64% = no/unsure)?
- **Yes** respondents have:
 - Higher likelihood of formal outreach to new customers and business partners
 - More resources allocated to privacy (higher per capita budget)
 - Closer involvement from the top (CEO and Board) – especially when program goals are measurable or linked to ROI
 - Less focused on control over customer-centric information
 - More restrictions on data sharing with third parties
 - Better clarity in policy and notice

Privacy Trust Survey Meta Results

Composite measure consumer trust in banking, pharmaceuticals, and grocery store industries. Results are a composite of over 22,000 responses from Ponemon Institute's Privacy Trust Survey™ according to specific privacy program interventions.

	Trusted	Neutral	Not Trusted
Notice	Brand focused privacy program Clear and conspicuous Web link to privacy policy Clear privacy notice	Existence of Web seal for privacy Existence of generic notice statement	Different online and offline privacy policies
Security	Mention of information security policy or practices in privacy policies Reference to security assurance User self-help, especially on protecting identity theft	Generic discussion about security Links to external sites on security	No mention of security, especially Web security Poor authentication on accessing personal information online
Choice and Consent	Confirmation that customer choices are being honored No data sharing (most positive) No data sharing with third-parties Clearly defined opt-in on all personal contact including research Choice defined as a categorical variable rather than binomial Opportunity to provide global opt-out	Limited data sharing Consent as a binomial format for opt-out Personal information capture and tracking devices on Web site	Unlimited data sharing Limited opt-out Bundled or conditional opt-out No choice or consent Undisclosed PII capture and tracking devices on Web site
Access	Full access to PII is most positive Partial or reasonable access to PII	No commitment of access to PII	Very limited access to PII Fee-based access to PII
Redress	Mention of recourse, redress, or dispute resolution in policies	Generic discussion about redress Use of standardized forms	No direction about filing compliant Use of P.O. Box for disputes

Beyond Compliance: How Can Privacy Build Customer Trust Relationships?



Measuring the Value of Privacy: Suggested Next Steps

- Following are suggestions for establishing a more rigorous framework for measuring the impact of privacy on an organization's economic value and performance:
 - ✓ Convene roundtable of companies to participate in ROI methodology project
 - ✓ Develop a well-defined model to estimate value, cost and benefits of proactive privacy management
 - ✓ Based on empirical testing of the model, publish White Paper with "how to" ROI methodology
 - ✓ Hold workshops (like the current FTC session) to educate corporations and the general public

Questions & Answers

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